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SIPDIS

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TAGS: [KWBG](#) [PREL](#) [EAID](#) [IS](#) [GAZA](#) [DISENGAGEMENT](#)

SUBJECT: GAZAN DISENGAGEMENT-RELATED AGRICULTURE

COORDINATION: AT A CROSSROADS

Classified By: Ambassador Daniel C. Kurtzer for reasons 1.4 (b) and (d)

The cable was cleared with Consulate General Jerusalem.

1. (C) Summary and comment: A series of discussions with GOI, PA, and Gazan private sector contacts June 27-29 has underscored the pressing need for agreement between the two sides on crossings and the transfer of settlement assets. On crossings, GOI representatives said that Karni terminal will remain the Strip's only agriculture crossing for at least a year following withdrawal, but asserted that a dedicated lane will be sufficient to facilitate the export of 60-70 trucks of Gazan agricultural produce daily. Gazan agribusiness contacts countered that political will, not technical fixes, is needed to improve the crossings regime. On greenhouses, Israeli sources warned that only a formal PA statement that Palestinians have use for them after withdrawal will enable the donors to provide the GOI with extra funding to induce settlers to maintain their assets as going concerns. PA contacts reaffirmed, however, that the PA cannot make decisions until the GOI provides a more complete asset inventory and is not willing to approve any "compensation" to the settlers for the assets. Einat Wilf, advisor to Vice Premier Peres, said that this apparent deadlock has convinced Peres that Quartet Special Envoy Wolfensohn is stepping back from additional work on this issue in favor of more promising avenues for coordination. As evacuation draws closer, the lack of a clear transfer mechanism for the assets is increasing the likelihood that settlement farmers will dismantle or neglect their greenhouses, seriously undermining their potential economic value to the post-disengagement Gaza economy. End Summary.

Karni Controversial as an Agriculture Crossing

2. (C) Ministry of Defense (MoD) representatives Netzach Mashiach and Maj. Gen (res) Baruch Spiegel told EconCouns and USAID Country Director June 27 that Karni terminal will remain the Gaza Strip's only export point for agricultural produce for one to one and a half years following disengagement. Spiegel explained that a dedicated lane will enable 60-70 trucks of produce to exit the Strip daily after Israeli withdrawal, and the MoD is considering a "one-check" system for containerized goods that will make back-to-back shipping almost as rapid and cost-effective as the door-to-door system he said the PA prefers. To actualize this goal, he explained, some of the USD 50 million earmarked for GOI improvements at the border crossings could be spent on standardized secure containers and special trucks. In parallel to these upgrades, Mashiach added, the GOI will build a new agriculture-only crossing south of Erez, or refurbish Sufa or Kissufim terminals for the same purpose, within two to three years.

3. (C) Gazan agribusiness contacts and Israeli NGOs expressed skepticism about the potential for improvements at the crossings. Hashim al-Hussaini of PalTrade argued that without real political will within the GOI, no amount of technical fixes will help facilitate Gazan agricultural exports. He pointed out that setting aside a lane at Karni for produce exports is "an old idea that was never implemented," and that there have already been several discussions in the past on allocating an agricultural crossing, including an abandoned 1996 attempt to refurbish Sufa. Dr. Hani Shawa of the Bank of Palestine noted that several lanes at Karni terminal have already sat idle for months, rendering the idea of a dedicated produce lane illogical and moot.

4. (C) Boaz Karni of the Economic Cooperation Foundation (ECF) concurred that politics can overcome both security and technical obstacles to smooth export, giving the example that in 2002, when Israeli farmers were last required to leave land fallow according to regulations based on biblical law, Gazan growers supplied the majority of the Israeli market. "Security delays were insignificant that season," Karni said. "If you must get lettuce to the orthodox in Jerusalem, the government will make it happen." According to Hussaini, the Gazan agribusiness sector needs an agriculture-only crossing, not just a dedicated lane, by November in order to meet export goals for strawberries, carnations, and cherry tomatoes.

Greenhouse Transfer Does Not Look Promising

15. (C) Boaz Karni described the GOI's current plan for transferring the settlement greenhouses to the PA intact, stressing that the PA must first give the donor community a written statement that it wants the greenhouses. This will allow donors to provide Israeli agricultural marketing firm Agrexco or another Israeli middleman with financial assistance to additionally compensate settlement farmers, ostensibly for maintaining their assets as going concerns. Agrexco, which is the chief marketing agent for Gazan exports to Israel and the EU, would only compensate the farmers once the PA has taken possession of assets and has confirmed that they are functional and complete. The ECF hopes to complete the handover seven to fourteen days prior to the start of withdrawal, he said, giving the PA the incentive to properly secure the assets that will then belong to it. (ConGen Note: PA senior officials have repeatedly stated that they cannot approve compensation, specifically, to settlers for their greenhouses. However, there may be a way for supplemental funds to be paid to settlers in a manner that does not appear as "compensation," for example, paying a fair market price for used equipment that would otherwise have to be procured on the open market. End Note.)

16. (C) Karni emphasized the potentially great value of the greenhouses to Gaza's post-disengagement economy, noting that "their produce is worth USD 75 million at the gate, and probably twice that in EU markets." According to him, Agrexco is enthusiastic about continuing to market Gazan produce after disengagement, and Ministry of Agriculture officials expressed confidence that Gazan management of the greenhouses could potentially increase the value of produce exports to USD 100 million per year. Some Gazan private sector contacts have expressed doubt over the economic necessity for the settlement greenhouses, however (reftel). Additionally, PA Negotiation Support Unit lawyer Lamia Matta told EmbOffs and ConGenOffs June 28 that because the GOI has still not handed over a sufficient inventory of the settlement assets, the PA has no way of knowing whether the greenhouses are appropriate or useful to Gazan agribusiness. Until the PA has the information it needs to determine their worth, she explained, it is disinclined to expend "political energy" on ensuring their intact transfer. Moreover, without a commitment from the GOI on ensuring the free flow of goods through Gaza's border crossings, the value of any agricultural asset is inherently questionable.

17. (C) Einat Wilf, senior advisor to Vice Premier Peres, told EconCouns June 30 that in recent meetings with Peres, Quartet Special Envoy Wolfensohn was pessimistic about the potential for progress on the transfer of greenhouses. According to Wilf, Wolfensohn emphasized strong donor reluctance to contribute assistance that would be used to compensate the settlers. Unless the PA expressed overt interest in receiving the greenhouses and gave its blessing to donor involvement in the transfer process, he reportedly explained, he would discontinue his efforts to bring the two sides to the negotiating table on this issue.

For Settlement Farmers, Compensation is Key

18. (C) GOI sources and Israeli media have provided conflicting reports on settlement farmer activities in the run-up to evacuation, ranging from plans to smash greenhouses "out of spite" within two weeks, to under-the-table deal-making with prospective Gazan buyers, though the PA cabinet has declared any such deals null and void. Settlers told USAID contractors during a June 28 site visit to Gush Katif that work continues in a majority of agribusiness enterprises, and contractor visits to approximately half the greenhouses revealed very little removal of any of their high-tech components. Farmers said that most of them hope Gazan growers will be able to take over the greenhouses after evacuation, but emphasized that without compensation beyond the 67 percent the GOI legislation allows, they will not agree to hand over their assets intact to the PA. Boaz Karni affirmed that compensation fears are creating an atmosphere of insecurity in the settlements, making it difficult to plan for intact transfer. He noted that he had received a phone call earlier in the day from a "desperate" settlement farmer asking for news of compensation, who told him that a group of farmers had recently stopped a colleague from demolishing his greenhouse to sell as scrap by reassuring him that he would be economically better off waiting for additional compensation.

19. (C) Comment: As evacuation draws near, both the GOI and the PA remain reluctant to nail down a program that will ensure intact transfer of the settlement greenhouses, though USAID, through its Palestinian Agribusiness Partnership

Activity (PAPA), is pressing both sides. While donors are amenable to additional compensation for settlement farmers, GOI foot-dragging on the provision of settlement asset inventory and its reluctance to discuss the details of possible third-party involvement, as well as the PA's reluctance to engage without inventory details of the greenhouses, are holding up forward progress. Unless the two sides reach political agreement on this issue very soon, settlement farmers will likely begin dismantling their assets, or will decide not to prepare them for the coming growing season.

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